# Prime Central London property market hit by wealth exodus after non-dom tax abolition



The Prime Central London property market is facing its most anxious period in over a decade. According to London property broker Black Brick, the principal source of unease stems from the departure of wealthy elites following the abolition of the non-dom tax regime in April. This policy change, which ended the tax privileges many affluent foreign residents enjoyed, has triggered a significant decline in high-end property prices, unsettling buyers and sellers alike. The market is grappling with uncertainty as buyers cautiously navigate falling prices, concerned about how far values may continue to drop.

Camilla Dell, managing partner at Black Brick, observes that while the tax changes may deter some who are considering leaving, those who have already relocated are unlikely to return unless circumstances elsewhere deteriorate sharply. She notes that relocation is an onerous and costly decision, not taken lightly. Black Brick’s clients at the top of the market understand that the current environment favours buyers, yet nervousness remains palpable about the trajectory of further price falls. Data from Knight Frank underscores this shift, with a 14% year-on-year drop in £5 million-plus sales in central London and a resultant £401 million gap in Stamp Duty revenue in the year to May. Transaction volumes today stand 36% below May 2024 levels, with fewer homes under offer, indicating a marketplace paused amid uncertainty.

The wider economic and fiscal landscape is crucial to understanding these developments. The abolition of the non-dom regime eliminated the ability for foreign residents to shield their worldwide income from UK taxation after a limited period. Additional inheritance tax rules now apply to global assets of UK residents after ten years, prompting many to reconsider their ties to Britain. This has resulted in an exodus of high-net-worth individuals, with recent research showing the UK will see a net loss of 16,500 millionaires in 2025—the largest recorded outflow since such tracking began. The impact extends beyond property sales; the UK risks losing up to £33.8 billion in tax revenues over five years and the broader economic benefits and investments these individuals bring with them. Other countries, like Italy, have capitalised on this opportunity by offering more favourable tax terms, attracting wealthy migrants away from the UK.

The changes are reshaping buyer demographics markedly. With international demand waning, domestically based buyers—particularly well-heeled families from outer London—are stepping into the breach, snapping up properties in neighborhoods once dominated by global elites. Estate agents report that prime properties in areas such as Belgravia, Kensington, and Knightsbridge are selling at substantially reduced rates, sometimes below £2,000 per square foot. Properties linger 50% longer on the market, and price cuts averaging 5% have shifted the balance towards buyers. Private data indicates a 7% decline in prime property sales and a 13% drop in new buyer registrations compared to the previous year, underscoring the market’s recalibration.

The price declines in some prime boroughs have been stark. Kensington and Chelsea, the epicentre of London luxury real estate, has seen average prices fall to their lowest since 2013. In March 2025, the typical home in the area was valued at £1.19 million—a 15.1% year-on-year decline—marking the 30th consecutive month of falling prices. Other affluent boroughs like Westminster and Hammersmith & Fulham have experienced similar downturns. These declines are attributed not only to tax policy shifts but also to Brexit-related uncertainties, higher property taxes, and rising interest rates. While the broader UK housing market recorded a 6.4% annual rise, prime central London’s property values are down more than 21% since their peak in 2014, with some forecasts predicting further declines this year.

Despite these headwinds, there are signs of resilience and renewed interest. Falling prices and rents have attracted investors back to the London market, with gross yields of around 5% providing an attractive alternative to safer but less lucrative options like savings bonds. Tom Kain of Black Brick highlights that this yield, while modest, is coupled with hopes of future capital growth. Notably, some neighbourhoods such as South Kensington and parts of the West End (including Fitzrovia, Bloomsbury, and Soho) are showing tentative price recovery after a long slump.

Complicating the scene is the impact of high borrowing costs, inflationary pressures, and the lasting effects of recent tax hikes on second homes and capital gains introduced since 2014. These factors have tightened affordability and financing conditions, putting downward pressure on prices. Moreover, the new Labour government’s tax reforms have removed certain benefits for non-domiciled residents, further shrinking the pool of ultra-wealthy buyers and compelling some sellers to lower asking prices to secure deals. Yet demand from American and Middle Eastern buyers, who are not subject to non-dom restrictions, remains a bright spot and contributes to market dynamism.

London’s prime property market now also reflects the behaviour of cautious owner-occupiers who, despite having the means to purchase, opt to rent while monitoring market signals. This cautious approach is bolstered by the expectation that prices may fall further before stabilising, manifesting a wait-and-see attitude that prolongs time properties spend on the market.

Against a backdrop of broader global economic uncertainty, London prime property retains some appeal as a traditional asset class perceived as a safe haven, especially amid stock market volatility and geopolitical tensions. The weakened pound has made prime London property comparatively attractive to foreign buyers, potentially bolstering long-term demand. However, financial experts stress that while it offers stability, all safe havens carry risks, and potential investors should consider comprehensive financial planning.

In sum, Prime Central London is undergoing a period of significant adjustment driven by fiscal policy changes, shifting buyer profiles, and economic pressures. While the departure of wealthy international residents has cast a shadow over the market, new domestic buyers and selective foreign investors are beginning to seize opportunities created by lower prices. The ultimate shape of the market will depend heavily on government tax policy, economic conditions, and the city’s ability to maintain its historic allure as a global hub for the wealthy.

### 📌 Reference Map:

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## Bibliography

1. <https://www.propertywire.com/news/london/prime-central-london-an-anxious-market-due-to-falling-prices/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/607db583-c344-4b9a-b604-7deae2ec169a> - This article discusses the adverse consequences of recent changes to the UK’s tax regime for foreign residents, particularly the abolition of the non-domiciled (non-dom) status and a new 10-year deadline after which foreign residents’ global assets are subject to UK inheritance tax. Wealthy individuals, including notable figures like Lakshmi Mittal and Nassef Sawiris, are leaving the UK, spurred by these changes. The move endangers the estimated £33.8 billion in taxes expected over five years and threatens broader economic benefits once provided by foreign talents like Iwan and Manuela Wirth. The article criticizes the UK for its abrupt transition away from the non-dom regime without maintaining international competitiveness. Alternatives like Italy now lure these individuals with more attractive tax incentives. While the old system was flawed, the new regime's short four-year tax benefit window is seen as insufficient. The author recommends extending it to ten years with a simplified structure and a minimum annual fee to keep the UK attractive for foreign residents, ensuring continued economic contribution. Labour is urged to revise the policy to prevent further damage to the economy and retain high-earning international residents.
3. <https://www.ft.com/content/076c40fa-f090-4063-b6d7-550dbb4b40cb> - UK families are capitalizing on falling prices in London’s luxury housing market as international demand wanes due to new tax policies targeting non-domiciled residents. These changes, including a cap on tax relief for overseas income and the introduction of inheritance tax on worldwide assets, have driven many wealthy international buyers away. Traditionally dominant in the market for £5 million-plus homes, these absent buyers have reduced competition and opened up opportunities in exclusive areas like Belgravia, Kensington, and Knightsbridge. Estate agents report that domestic families from outer London, previously priced out, are now purchasing prime properties at significantly reduced rates—sometimes below £2,000 per square foot. Price cuts averaging 5% and properties lingering 50% longer on the market have further empowered local buyers. Data from Knight Frank shows a 7% drop in prime property sales and a 13% decrease in new buyer registrations compared to the previous year. Overall, this shift marks a significant rebalancing in London’s prime housing market, with domestic buyers seizing the chance to move into prestigious postcodes that were once out of reach.
4. <https://www.ft.com/content/119b79e9-5446-4a31-a8d7-ab10b57cbc67> - House prices in Kensington and Chelsea have dropped to their lowest level since 2013, falling 15.1% in March 2025 to an average of £1.19 million. This marks the 30th consecutive month of year-on-year declines in London’s most expensive borough. The downturn is attributed to factors such as higher property taxes, Brexit-related uncertainty, the abolition of the non-dom tax regime, and rising interest rates. Other affluent areas like Westminster and Hammersmith and Fulham also saw significant price declines. The broader UK housing market, by contrast, rose 6.4% annually in March 2025, reaching a record average price of £271,000. The disparity highlights the challenges facing prime central London areas, which have become more reliant on international investment. Significant reforms since 2014, such as increased stamp duty on high-end properties, curtailed a prior housing boom. According to Savills, property prices in central London are down 21.2% from their 2014 peak. London and Kuala Lumpur were the only international prime markets with price declines in the past decade. Experts suggest that a recovery depends on improved economic conditions and investor sentiment. Savills forecasts a further 4% decline in prime central London property values this year.
5. <https://moneyweek.com/investments/property/is-prime-property-making-a-comeback-as-a-safe-haven-asset> - Amid global economic uncertainty triggered by U.S. tariffs and stock market volatility, investors are turning to traditional safe haven assets like gold and UK prime property. Knight Frank analysis reveals that despite concerns over Brexit and increased taxation, prime central London real estate is regaining appeal, particularly among U.S. and Middle Eastern buyers who find prices relatively attractive due to the weakened pound. London's property market offers perceived stability and comparative value, with prices about 18% below their 2015 peak and a 37% discount for dollar-pegged buyers compared to 2014. Lower mortgage rates, spurred by reduced swap rates and potential Bank of England rate cuts, are further boosting interest. In the first quarter of 2025, American buyers made up 6.9% of purchases in prime central London, underscoring a revival in demand. While gold's price has also surged, property may offer better income potential and stability. However, financial experts warn that all safe haven assets carry inherent risks and emphasize the importance of a robust financial plan for long-term security.
6. <https://www.ft.com/content/4ca6e9c1-f58a-4bb6-b031-b28d6a5fff96> - In recent times, London's super-prime property market has seen significant price reductions due to various market pressures. Buyers have gained substantial power in negotiations, reminiscent of the conditions post-2008 financial crisis. High borrowing costs and an inflationary budget have contributed to this shift. Additionally, the new Labour government's removal of tax perks for non-domiciled residents has further shrunk the potential buyer pool, causing some wealthy homeowners to sell their prime properties. High borrowing costs exacerbated by global economic policies are predicted to persist, leading sellers to cut prices to close deals. Despite this, luxury property sales remain dynamic, with many wealthy buyers still investing, particularly those from the US and Middle East who are not affected by non-dom rules. The current supply of unsold new homes in central London is also high, further encouraging price reductions. Some affluent individuals are opting to relocate or reconsider purchases, whilst others remain confident in their investments.